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SUBJECT: POWER TO THE PEOPLE - RURAL ELECTRIFICATION

¶1. Summary. The Government of Morocco's (GOM) ambitious program to expand rural electrification throughout the country is nearing completion - two years ahead of schedule. By the end of 2008, the Programme d'Electrification Rurale Global (PERG) will reportedly bring electricity to every village in the country. At a cost of $3 billion, the program has not been cost effective in energy terms, but its goal is to help reduce the disparity in living standards faced by Morocco's 12 million rural inhabitants (40 percent of the population) and offer them greater economic and educational opportunities. Morocco plans to export its expertise in rural electrification to other countries in Africa and has already won a contract in Senegal over competition from Electricite de France. End Summary.

LET THERE BE LIGHT

¶2. In 1995, the GOM announced PERG with an ambitious goal of increasing Morocco's then 18 percent rural electrification rate to 100 percent by 2010. The program was launched in 1996 and through 2004 it added approximately 44,000 miles of medium and low voltage power lines in Morocco (latest data available). According to Mohammed Hajroun, Director of Electrical Equipment and Rural Electrification at the Ministry of Energy, the rate of rural electrification reached 93 percent by the end of 2007 and the Office National d'Electricite (ONE) now expects to reach its goal of 100 percent in 2008. Like many developing countries, Morocco has been somewhat remiss in the timely implementation of other development projects, so for PERG to be two years ahead of schedule is a major accomplishment.

¶3. The object of the program is to provide electricity to essential public services such as schools and medical clinics, small enterprises to help boost local economies, and to households. Upon completion, PERG should bring electricity to more than 35,000 villages, 1.9 million households and 12 million people who previously did not have access to it. Approximately 93 percent of the villages will receive electricity through connection to the existing electrical grid and the remaining seven percent of villages, the most remote, will use photovoltaic cells to produce electricity.

SHARING THE COST

¶4. Part of PERG's success is due to cost rationalization - it targeted villages with the lowest average cost of electrification per household and gradually moved to villages with higher average costs. The program's ability to bring electricity to large numbers of people early in the process encouraged the GOM to accelerate the pace of the program and be on target to finish two years ahead of schedule. From 1996 to 2001 PERG spent an average of less than 10,000 dirham ($1,300) per household to bring electricity to rural

villages. From 2006 to 2007, this price had increased to almost 27,000 dirham ($3,600) per household. Electricity produced from photovoltaic cells is the most expensive part of the program and costs more than $3,600 per household.

¶5. The high cost of rural electrification is shared by three main partners. Local authorities contribute either a one-time payment of 2,080 dirham ($277) per household, or 500 dirham ($67) per household per year for five years. In addition, individual households pay either 2,500 dirham ($335) in advance, or 40 dirham ($5) per month for seven years. The final partner is ONE, which covers all additional costs. In total, ONE has contributed approximately 55 percent of the total cost of the program. The European Investment Bank has underwritten 780 million euros ($1.17 billion) in electrical projects in Morocco since 1984, including many for PERG.

NEXT STEPS

¶6. ONE is seeking to capitalize on the success of PERG by marketing its expertise in rural electrification to other African countries. It has already beaten out Electricite de France for a $16.3 million rural electrification contract in Senegal where it will manage a 25-year contract to electrify 550 villages. In addition, ONE has installed a generator in Mauritania, and is upgrading one power station and building another in Sierra Leone. The continent of Africa has a rate of electrification of a mere 24 percent and it therefore represents a market with great potential for ONE's services.

¶7. As the completion of PERG draws near, the GOM has started a new program, Valorisation de l'Electrification Rurale (VER), to help increase the economic benefits of PERG. Thus far, PERG has created 14,000 jobs and the goal of VER is to use the advent of electrification to increase economic, human and social development on a broader scale. Through VER, representatives from ONE will consult with villagers, local associations and regional authorities to identify small projects that can use electrical power to stimulate economic activity. VER has already supplied machinery to assist local industries and motors to pump water, and envisions numerous small modernization projects to benefit rural Moroccans. VER will work in conjunction with the palace's National Initiative for Human Development (INDH) to promote social development and will be paid for predominately by ONE and local beneficiaries.

COMMENT

¶8. Comment: Since 2002, growth in demand for electricity in Morocco has grown at an annual rate of 8 percent and PERG has contributed to this rise. Although it is poor in terms of energy resources, Morocco's ability to export its expertise in rural electrification highlights its technical savvy in the field. The project has certainly been expensive and ambitious, but should do more to ease the rural/urban divide and offer rural inhabitants new economic opportunities.
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